



*Joint Legislative Audit Committee*  
*Office of the Auditor General*

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**FINANCIAL AUDIT REPORT**  
**STATE DEPARTMENT OF SOCIAL SERVICES**  
**EMERGENCY REVOLVING FUND**  
**YEAR ENDED JUNE 30, 1979**

REPORT TO THE  
CALIFORNIA LEGISLATURE

REPORT **F-610.2-620**

REPORT OF THE  
OFFICE OF THE AUDITOR GENERAL  
TO THE  
JOINT LEGISLATIVE AUDIT COMMITTEE

610.2-620

FINANCIAL AUDIT REPORT  
STATE DEPARTMENT OF SOCIAL SERVICES  
EMERGENCY REVOLVING FUND  
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



# California Legislature

## Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI  
CHAIRMAN

November 21, 1980

610.2-620

The Honorable Speaker of the Assembly  
The Honorable President pro Tempore of the Senate  
The Honorable Members of the Senate and the  
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the State Department of Social Services Emergency Revolving Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; Robyn Graves; Lisa Kenyon; and Osman Sanneh.

Respectfully submitted,

S. FLOYD MORI  
Chairman, Joint Legislative  
Audit Committee

Attachment

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## INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Emergency Revolving Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

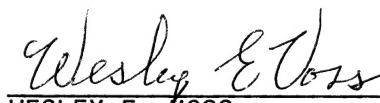
The Emergency Revolving Fund is used by the State Department of Social Services to reimburse counties for uncollected loans given to aged, blind, and disabled recipients of aid and for related administrative costs. The fund has received one appropriation from the General Fund totaling \$1,500,000. All loans subsequently collected by the counties are deposited in the fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Emergency Revolving Fund as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Emergency Revolving Fund at June 30, 1979 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

  
WESLEY E. JOSS

Date: September 1, 1980

Staff: Curt Davis, CPA  
Michael C. Dendorfer, CPA  
Ross Luna  
Lisa A. Kenyon  
Robyn Graves  
Osman Sanneh

STATE DEPARTMENT OF SOCIAL SERVICES

EMERGENCY REVOLVING FUND  
BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	<u>\$554,399</u>
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FUND EQUITY

Fund balance (Note 2)	<u>\$554,399</u>
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The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF SOCIAL SERVICES

EMERGENCY REVOLVING FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Reimbursements	<u>\$ 98,830</u>
Expenditures:	
Local assistance	<u>582,103</u>
Excess of Revenues over (under) Expenditures	<u>(483,273)</u>
Fund Balance - July 1	<u>1,037,672</u>
Fund Balance - June 30	<u><u>\$ 554,399</u></u>

The notes to the financial statements are an integral part of this statement.



STATE DEPARTMENT OF SOCIAL SERVICES  
EMERGENCY REVOLVING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the Emergency Revolving Fund reflect its financial position and the results of operations. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The Emergency Revolving Fund is an expendable trust fund established to reimburse counties for uncollected loans to aged, blind, and disabled recipients of aid. The fund is maintained on a modified accrual basis of accounting. These are some of its significant elements:

Income

Throughout the fiscal year income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, these accounts are adjusted to accrue earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

2. FUND BALANCE

This amount represents the balance remaining from a one-time appropriation from the General Fund of \$1,500,000.

### OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enables us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Department of Social Services in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
Secretary of State  
State Controller  
State Treasurer  
Legislative Analyst  
Director of Finance  
Assembly Office of Research  
Senate Office of Research  
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